

Business Equipment Valuation

General

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. A value indicator is obtained by multiplying a property's historical cost by an appropriate value factor.

[Section 401.5](#) provides that the BOE shall issue information that promotes uniformity in appraisal practices and assessed values. Pursuant to that mandate, the BOE annually publishes [Assessors' Handbook Section 581, Equipment and Fixtures Index, Percent Good and Valuation Factors \(AH 581\)](#).

Scope of Review

The BOE's assessment practices survey team evaluates the assessor's practices and procedures for valuing business equipment.

The specific areas of review may include, but are not limited to, the following:

General Program Elements

- Does the assessor have written procedures for valuing business equipment?
- What training does the assessor provide to staff prior to the assessment season each year to value business equipment?
- Who prepares value estimates for business property accounts?
 - Certified auditor-appraisers?
 - Certified real property appraisers?
 - Noncertified staff overseen by certified staff?
 - Other personnel?

Valuation, Factors, and Lives

- What sources does the assessor use to derive equipment reproduction cost indices and percent good factors?
 - [AH 581](#)?
 - California Assessors' Association (CAA) tables?
 - Other?
- Do the assessor's valuation factors conform to [AH 581](#)?
- Does the assessor use other published equipment valuation guides?
 - *Marshall Valuation Service*?
 - *Green Guide*?
 - Other?

- How does the assessor code each business account in the computer system for a specific trend and life table classification?
- When does the assessor update the index factors in the computer system each year?
- How does the assessor value older commercial and industrial equipment?
- What sources does the assessor use to value construction and agricultural mobile equipment?
 - [AH 581](#)? If so,
 - Does the assessor assign percent good factors to agricultural mobile equipment based on classification as harvester or other than harvester?
 - Does the assessor assign percent good factors to construction mobile equipment based on whether the assessee acquired the equipment as "new" or "used?"
 - Market guides? If so,
 - Which market guides does the assessor use?
 - Does the assessor adjust published guide values for sales or use tax?
 - Sales Data?
- How does the assessor value semiconductor manufacturing equipment?
- How does the assessor value biopharmaceutical industry equipment and fixtures?
- How does the assessor value computers?
- Does the assessor assess computer software?
 - Basic operational computer software?
 - Other computer software?
- How does the assessor identify basic operational computer software?
- Does the assessor separately assess personal property in all apartment properties?
- How does the assessor value apartment personalty?
 - Reported costs?
 - Fixed value per unit?
 - Other?
- Does the assessor assess furnishings and equipment in residential care homes and convalescent facilities?
- Does the assessor have any billboard accounts in the county? If so, how are they assessed?
- Does the assessor treat fixtures at petroleum refineries as part of a single appraisal unit with structures and land?

Classification

- What technique does the assessor use to allocate reported costs between fixed equipment and personal property? Does the assessor have standard allocation tables?
- Are allocations consistent within individual industry types?

- How does the assessor ensure that the appraisal unit consisting of fixtures and other machinery and equipment classified as improvements is assessed at the lower of full value or factored base year value?
- How does the assessor classify automated teller machines (ATM)?
- How does the assessor classify agricultural wind machines (frost protection type)?
- Does the assessor classify any service station equipment as fixtures?
- How does the assessor treat pollution control equipment financed by bonds issued by the California Pollution Control Financing Authority (CPCFA)?

Situs

- How does the assessor assign situs to moveable property?
- Does the assessor assess artificial satellites?

Business Inventory Exemption

- If there are distilleries or wineries operating in the county, does the assessor classify new and used oak barrels used in making wine and brandy as exempt business inventory, or as taxable equipment or supplies? What criteria is used to make this determination?
- Does the assessor properly apply the business inventory exemption to the following:
 - Contractors' materials?
 - Pallets and rigid delivery cases?
 - Rental video cassettes?
 - Illegal goods or drugs?
 - Hospital property?
 - Rental linens?
 - Agricultural animals and crops?
 - Tomato paste bins?

Supplies

- How does the assessor value supplies?
- How does the assessor determine the value of supplies when supplies are not reported on the business property statement (BPS)?
- Does the assessor review the reported costs for supplies to determine whether those costs are reasonable relative to the size and nature of the business?

Trade Level

- Does the assessor have a formal procedure for valuing business property on the basis of how it is situated or used on the lien date rather than using the owner's book cost?
- How does the assessor calculate trade level adjustments?

- Does the assessor make trade level adjustments for the following:
 - Self-manufactured equipment in use by the manufacturer, such as computers and copy machines?
 - Equipment in the hands of and used by a dealer, such as bulldozers and graders?
 - Sales tax, freight, and installation costs added as elements of value at the consumer level?
- Does the assessor treat propane tanks as leased or rented if the customer pays sales tax, installation or maintenance fees, rent, or any other separately stated periodic charge on the tank?
- Under what circumstances does the assessor assess propane tanks to the lessee (renter)?
- Under what circumstances does the assessor assess propane tanks to the lessor (owner)?
- Does the assessor use the Franchise Tax Board (FTB) guidelines and BOE's annual listing of banks and financial corporations to determine the taxability of personal property owned by such assesseees?
- How does the assessor identify lease or lease-purchase arrangements involving financial corporations or banks?
- How does the assessor identify all insurance companies having property in the county in order to ensure that the personalty of each insurance company is not being included in the assessment?
- Does the assessor statutorily exempt or apply special assessment rules to the following items of personal property:
 - Certain exhibits in accordance with [section 213](#)?
 - Civil Air Patrol personal property?
 - Household furnishings, pets, and personal effects?
 - Trailers and semitrailers bearing valid identification plates?
 - Employee-owned hand tools up to \$50,000?
 - Certain works of art in accordance with [section 986](#)?
 - Motion pictures?
 - Certain rubber-tired vehicles in accordance with [section 994](#)?
 - Computer storage media?
 - Computer software?
 - Returnable soft drink containers?
 - Business records?